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By: 10Mm78 GENERAL

1. France and UK propose European recovery consultations--
US Ambassador Caffery reports that the French and British Governments have informed the other CEEC countries of their decision not to reconvene the CEEC at this time because of US concern that such action might be interpreted as an attempt to dictate aid conditions. They propose instead that: (a) each country prepare a statement of its recovery achievements since the Paris Conference; (b) the British and French prepare, as a basis for future consultations, a draft report on economic co-operation to date among the 16 nations and on possible future steps; and (c) the 16 countries undertake mutual discussion of the multilateral organization to be set up under the European recovery program and of the establishment of a working party to work out the details of this organization.
2. Protest against arrest of US officers in Hungary urged--US Minister Chapin in Budapest recommends that the US enter a prompt and vigorous protest to the USSR concerning the "indefensible" action by Soviet troops in arresting two US Army officers in Hungary. Chapin adds that for the first time in dealing with the Soviet Government in Eastern Europe the US has a local Communist Government as well as the USSR "over the barrel."
3. Early Balkan Federation would be defensive move--US Ambassador Cannon in Belgrade believes that an early declaration of a Balkan Federation would not necessarily be a sign of "strength for aggression" but would indicate a consolidation for defense against possible US moves.
4. UK policy on military aircraft sales--A high UK Foreign Office official has informed US Embassy London that Secretary Marshall's "strongly expressed opinion" against British acceptance of further

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Latin American orders for jet or bomber aircraft is now under consideration by the Cabinet. The official added his personal view that the Cabinet would follow a Foreign Office recommendation to reject a recent Argentine order for jet aircraft. (The UK has completed delivery to Argentina of an earlier order for 100 jet fighters and 30 conventional 4-engine bombers)

EUROPE

5. ITALY: French inaction on customs union worries Italy-- A representative of the Italian Foreign Office has informed US Embassy London that he is concerned over apparent French apathy to publication of the report on the proposed French-Italian customs union. The Italian official suggested that the US drop a hint to the French that signs of progress on the customs union negotiations would favorably influence US Congressional debate on the European recovery program.

NEAR EAST-AFRICA

6. GREECE: US authorizes release of Greek gold-- The Department of State has notified AMAG that it approves the latter's recommendation that \$2 million of Greek gold now in the New York Federal Reserve Bank be released for use in stabilizing the Greek currency [REDACTED]

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FAR EAST

7. FRENCH INDOCHINA: French view of Bao Dai conversation-- US Ambassador Caffery in Paris has been informed by a member of the French Cabinet that the recent Geneva conversations with former Annamite Emperor Bao Dai were "mostly camouflaged" to show that Bao Dai is "no French stooge" [REDACTED]
[REDACTED] According to the Cabinet minister, the only

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disagreement arose in connection with French insistence that there be some parliamentary representation from genuine supporters of President Ho Chi Minh, but not Ho himself, while Bao Dai wants no real opposition.

(CIA Comment: French interest in a parliamentary opposition apparently arises from the recognition that the success of a Bao Dai Government depends upon some support from all political groups, including Ho's Viet Minh.)

8. KOREA: Attitude of UN Commission--US Political Adviser Langdon reports that all members of the UN Commission are equally earnest in wishing to leave "no stone unturned" to get Russian and North Korean cooperation. Langdon adds that the Canadian member has indicated that in the event of Soviet boycott he favors seeking instructions from the UN Interim Committee.

(CIA Comment: CIA believes that the Commission will probably refuse to proceed with an immediate election for South Korea alone. If the settlement of this question is considerably delayed, following its submission to the "Little Assembly," the newly-formed South Korean Rightist "National Council" will take advantage of this setback to US policy by demanding immediate recognition as the government of Korea.)

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